Taxes on Ethanol

3. SHRIMATI N.P. DURGA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that Andhra Pradesh is one of the leading States in production of ethanol in the country;

(b) whether it is also a fact that different States are imposing different Sales Tax and Value Added Tax on Ethanol, which is hampering the production of greenfuel in the country;

(c) whether, due to differential tax rates, the price of ethanol per litre in India is more than what we are importing;

(d) if so, whether any proposal has been submitted to Finance Ministry for levying a uniform tax on ethanol; and

(e) if so, the details thereof?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) Andhra Pradesh is one of the leading States in production of alcohol in the country. Alcohol is used for producing *inter alia* ethanol (ethyl alocohol). In response to the tender floated by Oil Marketing Companies (OMCs), the suppliers offered approx. 80,000 KL per annum as against the OMCs' ethanol requirement of 40,000 KL per annum for 5% Ethanol Blended Programme in the State.

(b) As per Entry 54 of the List-II (State List) of the Seventh Schedule of Constitution of India, taxes on sale or purchase of goods in a State is a State subject. The States have the power to decide on the nature and rate of tax on sale of ethanol. The States of Bihar, Gujarat, Maharashtra and Karnataka are imposing 4% Value Added Tax (VAT) on ethanol. Uttar Pradesh State is imposing Purchase Tax of Rs. 800/ KL. The States of Andhra Pradesh and Tamil Nadu are imposing VAT of 12.5% and 8.5% respectively. For other States where Ethanol Blended Petrol (EBP) programme has been implemented, ethanol supplies are mostly from Uttar Pradesh, Bihar, Maharashtra and Karnataka on which 3% Central Sales Tax (CST) is levied. However, besides VAT/CST, other levies such as import/export fee, State excise admin fee, etc. are also imposed on ethanol. The levy of taxes/fees by certain States has affected the implementation of EBP programme in certain States.

(c) The Government has not imported ethanol for EBP Programme so far.

(d) and (e) The Department of Food & Public Distribution made a proposal to the Ministry of Finance relating to the formulation of policy for promotion of ethanol as a bio-fuel on their part and to include ethanol in the list of "declared goods" (or)" goods of special importance" which would serve the objective of levy of Sales Tax/VAT by States at a rate not exceeding 4%. An Empowered Committee of State Finance Ministers had been constituted to deliberate on matters relating to Sales Tax systems in the States, including the switchover to Value Added Taxation based system in place of the earlier sales tax systems. As inclusion of ethanol in the list of declared goods would have revenue implications for the States, the proposal was forwarded to the Empowered Committee of State Finance Ministers for consideration. Ministry of Finance has indicated that it may not be feasible to carry out any amendment in the Central Sales Tax Act 1956, if the same is opposed by the States.